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Supreme Court, U.S.
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No. 07-1303

IN THE

Supreme Court of the United States

TRANSLOGIC TECHNOLOGY, INC.,

Petitioner,

v.

JONATHAN W. DUDAS, DIRECTOR,
PATENT AND TRADEMARK OFFICE,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONER

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AUGUST 2008

RULE 29.6 DISCLOSURE

Petitioner's Rule 29.6 Disclosure was set forth at page ii of the Petition for a Writ of Certiorari. There are no amendments to that Disclosure.

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REPLY BRIEF FOR PETITIONER

Solicitors General have long recognized their duty to "defend[] the constitutionality of congressional statutes, so long as a defense can reasonably be made."[1] In this case, the Solicitor General has chosen not to defend the statute at issue, 35 U.S.C. § 6. The Solicitor General instead abandons the statute and asks the Court to "refrain from deciding" whether the statute that the Solicitor General refuses to defend is constitutional. Gov't Op. 5.

Specifically, the Solicitor General, and the Hitachi respondents, advance three non-merits arguments: (1) petitioner waived its constitutional challenge to the composition of the panel that heard its case; (2) the judicially-created "*de facto* officer" doctrine should be extended to cover cases on direct review, such that Appointments Clause errors never receive a judicial remedy; and (3) new legislation "would remove" petitioner's "constitutional objection," *id.* at 13. Each argument fails.

1. Appointments Clause errors, such as the one in this case, present a "structural constitutional objection[]" that implicates "'the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers.'" *Freytag* v. *Comm'r of Internal Revenue*, 501 U.S. 868, 878-79 (1991) (quoting *Glidden Co.* v. *Zdanok*, 370 U.S. 530,

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[1] Transcript, *Rex E. Lee Conference on the Office of the Solicitor General of the United States*, 2003 BYU L. Rev. 1, 7 (statement of Theodore B. Olson).

536 (1962)). Where this Court has been presented on direct review with the decision of an individual who was not authorized to act as an officer of the United States, it has not hesitated to hold that the decision "should certainly be set aside or quashed by any court having authority to review it by appeal, error or *certiorari*." *Nguyen* v. *United States*, 539 U.S. 69, 78 (2003) (quotation marks omitted) (emphasis in *Nguyen*).

The waiver challenge raised by the Solicitor General has been tested time and again, but has yet to succeed. Pet. 4, 17-20. *Freytag* resolved on the merits an Appointments Clause objection that was "neither frivolous nor disingenuous," 501 U.S. at 879, where the petitioners had actually consented below to the assignment of the officer at issue, *id.* at 878. The plurality in *Glidden*, where "[n]o challenge to the authority of the judges was filed in the course of the proceedings before them," 370 U.S. at 535, similarly rejected the Solicitor General's argument, *id.* at 536. And again, most recently in *Nguyen*, this Court held that it has "agreed to correct," at least "on direct review," a similar error, 539 U.S. at 78, resolving a challenge not raised until the certiorari stage, *id.* at 73.

In trying to develop its waiver argument, the Solicitor General starts with the wrong law. As the Court has recognized, "in the civil no less than the criminal area, 'courts indulge every reasonable presumption against waiver'" of constitutional rights. *Fuentes* v. *Shevin*, 407 U.S. 67, 94 n.31 (1972) (quoting *Aetna Ins. Co.* v. *Kennedy*, 301 U.S. 389, 393 (1937)). "[A]n effective waiver must . . . be one of a known right or privilege." *Curtis Pub. Co.* v. *Butts*,

388 U.S. 130, 143, 172 n.1 (1967) (quotation marks omitted) (Harlan, J., per six justices). The Solicitor General does not dispute that the Board does not disclose the names of its panel members until oral argument—*after* a party has submitted its brief, Pet. 17, nor does the Solicitor General dispute that the unconstitutional appointment of certain administrative patent judges was not disclosed publicly until Professor John F. Duffy's July 2007 article, Gov't Op. 9.[2]

The petitioner in this case has never executed anything approaching a knowing, voluntary, and intelligent waiver of its constitutional right. The Solicitor General suggests that there was the potential for "sandbagging" below, Gov't Op. 6 (quotation marks omitted), but petitioner had every reason to make its arguments to that court. Petitioner filed a 15-page rehearing petition immediately upon learning of the Duffy article, *see* Pet. 5, which offered a more complete analysis than would be possible with the Rule 28(j) approach suggested by the Solicitor General. Plainly there was no waiver at the Federal Circuit.

Nonetheless, the Solicitor General seeks to develop a theory of constructive waiver based upon statements not addressing a petitioner's claim on direct review that there has been constitutional error, *see* Gov't Op. 5, and, most importantly, not addressed to Appointments Clause errors.

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[2] John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, GWU Legal Studies Research Paper No. 419, *available at* http://ssrn.com/abstract=1128311.

Beginning with *Glidden* in 1962, continuing with *Freytag* in 1991 and *Nguyen* in 2003, the Solicitor General's waiver argument regarding Appointments Clause errors has been thrice-rejected. The Solicitor General makes no effort to demonstrate why *stare decisis* does not foreclose its argument.

The Solicitor General instead seeks to distinguish Appointments Clause jurisprudence, arguing that, "[u]nlike all of those cases, petitioner's challenge concerns the status of the appointments of some Executive Branch officials and does not affect the authority of any Article III court." Gov't Op. 10. This argument fails. *Freytag* itself addressed appointments to a court established under Article I. *See* 501 U.S. at 870. Like the balance of this Court's Appointments Clause jurisprudence, *Freytag* considered Appointments Clause objections to implicate "[t]he principle of separation of powers" among the three branches of our government—a principle "embedded in the Appointments Clause." *Id.* at 882; *see Ryder* v. *United States*, 515 U.S. 177, 182 (1995) ("[t]he Clause is a bulwark against one branch aggrandizing its power at the expense of another branch"); *Glidden*, 370 U.S. at 536. The text of the Appointments Clause is thus not just directed at Article III courts, but instead addresses appointments by "the President," "the Courts of Law," or "the Heads of Departments [of the Executive]." U.S. Const., art. II, § 2, cl. 2.

Declining to follow *Glidden*, *Freytag*, and *Nguyen*, the Solicitor General argues that petitioner should have submitted "a petition to the Chief Administrative Patent Judge under 37 C.F.R. § 41.3" asking that its case be reassigned pursuant to an

internal memorandum directed to the "Administrative Patent Judges."[3] The Solicitor General offers no explanation for why, prior to publication of Professor Duffy's article, the Chief Administrative Patent Judge would find "good reason," Gov't Op. 7 (quotation marks omitted), to hear a constitutional claim.

In any event, the Memorandum is not addressed to the public and is dated August 10, 2005—after the principal administrative decision. *See* Pet. App. 29a. Additionally, the Memorandum "does not create any legally enforceable rights" and instead only "creates internal norms for the administration of the Board of Patent Appeals and Interferences." Memorandum at 2. This Court's precedents "weigh heavily against requiring administrative exhaustion" where there is "some doubt as to whether the agency was empowered to grant effective relief." *McCarthy* v. *Madigan*, 503 U.S. 140, 146-47 (1992) (quotation marks omitted).

Moreover, "adjudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies." *Thunder Basin Coal Co.* v. *Reich*, 510 U.S. 200, 215 (1994) (quotation marks and alterations omitted); *see* Pet. 18; *see also Matthews* v. *Eldridge*, 424 U.S. 319, 329 n.10 (1976). The

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[3] Gov't Op. 7-8. (citing Memorandum from Michael R. Fleming, Chief Administrative Patent Judge, to Vice Chief Administrative Patent Judge and Administrative Patent Judges 1, 6 (Aug. 10, 2005), *available at* http://www.uspto.gov/go/dcom/bpai/sop1.pdf).

Solicitor General offers no response on this front. Respondent Hitachi relies on *United States* v. *L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33 (1952), but *L.A. Tucker* involved an agency's failure to comply with a *statutory*, not constitutional, mandate, *see id.* at 35-37; Pet. 19 n.5.[4]

2. Although the Solicitor General and Hitachi propose extending the "*de facto* officer" doctrine to cover the Appointments Clause error in this case because, they argue, "a decision on the merits of petitioner's constitutional argument could affect far more than a handful of cases," Gov't Op. 11-12; Hitachi Op. 14, there is no legal or factual reason to abandon the Court's jurisprudence on the doctrine.

In *Ryder*, the Court unanimously summarized the history of the doctrine, a judicial response providing that the Appointments Clause would not be enforced where a petitioner brings a "collateral attack," 515 U.S. at 181 (quotation marks omitted), upon all actions of an individual acting, *de facto*, as an officer. The Court noted that cases from the late Nineteenth Century developing the doctrine typically involved the "misapplication of a *statute* providing for the assignment of *already* appointed judges to serve in other districts," whereas the *Ryder* case, like this one, implicated a claim predicated upon "the

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[4] The Solicitor General additionally argues that petitioner waived the *de facto* officer doctrine below, Gov't Op. 11 n.2, but petitioner does not contend that the *de facto* officer doctrine applies, *see* Pet. 12-15. The Government raised the *de facto* officer doctrine as a *defense* below, and petitioner simply addressed, in its petition, why this defense does not apply in light of the Government's reliance upon it.

Appointments Clause of Article II of the Constitution—a claim that there *has* been a trespass upon the executive power of appointment." 515 U.S. at 182 (third emphasis in original; quotation marks omitted). Similarly, *Nguyen* noted that the Court has "agreed to correct, at least on direct review, violations of a statutory provision that 'embodies a strong policy concerning the proper administration of judicial business' even though the defect was not raised in a timely manner." 539 U.S. at 78 (quoting *Glidden*, 370 U.S. at 536).

Without support for their arguments in Appointments Clause jurisprudence, respondents argue that the *de facto* officer doctrine should be broadened, such that Appointments Clause errors are also not corrected in cases on direct review—that is, are never corrected. As the parties arguing against correction of constitutional error, respondents, particularly the Government, should have cited detailed statistics in support of their view. Respondents have not done so because there is no factual support for their argument.

The number of Board decisions that could be appealed based upon the error in this case is quite limited. For cases pending before the Board, if the error here is corrected the Government can appoint administrative patent judges in accordance with the Constitution. For cases in which the Board has reached a final administrative decision, appeals to the Federal Circuit may only be taken within 60 days. 35 U.S.C. § 142; *see also* 37 C.F.R. § 1.304. If this Court corrects the Appointments Clause violation, only the past 60 days of final Board rulings would be implicated. Similarly, the PTO's statistics

indicate that, as of September 30, 2007, there were only 48 patent actions pending in the federal courts that involved final decisions by the Board, some of which may have been made by validly-appointed judges.[5]

The Solicitor General and Hitachi further argue that the Court should apply a form of harmless error review to Appointments Clause errors, Gov't Op. 15-17; Hitachi Op. 6-7, and leave in place the decision of a person "incompetent to sit at the hearing," *Nguyen*, 539 U.S. at 78 (quotation marks omitted). The Solicitor General is forthright, however, in citing authority for its argument with a "*cf.*" citation to a non-Appointments Clause case, where relief could be granted under a statute. *See* Gov't Op. 15-16. Neither respondent cites authority applying harmless error review to Appointments Clause cases—for good reason.

Ryder unanimously rejected the respondents' harmless error argument. There, like here, the Government urged the Court to affirm because the Appointments Clause error occurred in the first appellate tribunal (here, the Board), and the second appellate tribunal (here, the Federal Circuit) had been properly constituted. 515 U.S. at 186. The Court noted, however, that the "scope of review [of the second appellate tribunal] is narrower than the

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[5] U.S. Patent & Trademark Office, *Performance and Accountability Report Fiscal Year 2007* tbl.25, *available at* http://www.uspto.gov/web/offices/com/annual/2007/50300_workloadtables.html.

review exercised by the" first appellate tribunal. *Id.* at 187.

Here, the same is true. The Federal Circuit reviewed "the Board's underlying findings of fact . . . for substantial evidence." Pet. App. 15a (citing *In re Kotzab*, 217 F.3d 1365, 1369 (Fed. Cir. 2000)). Under that standard of review, "'[i]f the evidence in [the] record will support several reasonable but contradictory conclusions, [the Federal Circuit] will not find the Board's decision unsupported by substantial evidence simply because the Board chose one conclusion over another plausible alternative.'" *Id.* (quoting *In re Jolley*, 308 F.3d 1317, 1320 (Fed. Cir. 2002)). Thus, the Federal Circuit must give deference to the Board on:

> facts[,] includ[ing] the scope and content of the prior art, the level of ordinary skill in the art at the time of the invention, objective evidence of nonobviousness, and differences between the prior art and the claimed subject matter.

In re ICON Health and Fitness, Inc., 496 F.3d 1374, 1378 (Fed. Cir. 2007) (citation omitted). The parties hotly debated, and the Federal Circuit reviewed, these very issues, looking to, by way of example only, what constituted "relevant prior art," Pet. App. 16a, what the prior art "disclose[d]," *id.* at 16a, 23a, whether a prior art reference was "within the scope of the relevant prior art," *id.* at 23a, and what "a person of ordinary skill in the art would have" understood, *id.* at 23a-24a, 27a.

The Solicitor General admits this point, in acknowledging that "the court of appeals reviewed the Board's underlying findings of fact for 'substantial evidence.'" Gov't Op. 16 (quoting Pet. App. 15a). That admission is fatal. As in *Ryder*, "[i]t simply cannot be said . . . that review by the properly constituted [second appellate tribunal] gave petitioner all the possibility for relief that review by a properly constituted" first appellate tribunal would have provided. 515 U.S. at 187-88; *see also Nguyen*, 539 U.S. at 80.

3. The Solicitor General also briefly contends that the Court should not resolve the constitutional error because of pending legislation. The pending legislation, passed by both houses but not yet law as of the filing of this brief, will allow the Secretary of Commerce, "in consultation with the Director" of the PTO, to appoint administrative patent judges. S. 3295, 110th Cong. (2d Sess. 2008). That legislation only adds to the case for granting certiorari.

First, the legislation comes close to a congressional admission that the statute at issue is unconstitutional. Second, because the legislation would allow the Secretary to appoint judges largely in accordance with the Constitution in pending and future cases before the agency, except perhaps with respect to its "consultation" requirement, it ensures that the number of cases presenting Appointments Clause errors will be at a manageable level—only those cases in which a final administrative decision has been entered and which are subject to, or are in the process of, Article III review. As this is a small number of cases, *see supra* pp. 7-8, the magnitude of

the error at issue is similar to the error corrected in *Ryder*. 515 U.S. at 185. It also makes this case quite representative.

Finally, the Solicitor General notes that the legislation purports to codify two statutory defenses to the constitutional challenge. Neither leads to a different constitutional result in this case.

The first purports to codify the *de facto* officer doctrine as a statutory defense: "It shall be a defense to a challenge to the appointment [under the Constitution] of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer." S. 3295. The Appointments Clause, and this Court's precedents on the Appointments Clause, however, are controlling. *See City of Boerne* v. *Flores*, 521 U.S. 507, 536 (1997) ("When the political branches of the Government act against the background of a judicial interpretation of the Constitution already issued, it must be understood that in later cases and controversies the Court will treat its precedents with the respect due them under settled principles, including *stare decisis*, and contrary expectations must be disappointed.") (citing *Marbury* v. *Madison*, 5 U.S. 137, 177 (1803)).

The second provision at issue purports to allow the Secretary of Commerce to, "in his or her discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge." S. 3295.

That provision runs afoul of the lesser-known underlying holding of *Marbury*. *Marbury* makes clear when appointments under the Appointments Clause take effect: "[a] commission [appointing an officer] bears [a] date," 5 U.S. at 161, and it is "decidedly the opinion of the court[] that when a commission has been signed," "the appointment is made" and "the commission is complete[] when the seal of the United States has been affixed." *Id.* at 162.

This long-standing rule of *Marbury*—that a person becomes an officer once a commission is signed—prevents the appointments process from becoming "an inchoate and incomplete transaction." *Id.* at 157. Instead, after the appointing officer signs a commission, "[h]is judgment" has "been made, and the officer is appointed. This appointment is evidenced by an open, unequivocal act . . . ." *Id.* Allowing Congress to provide for retroactive appointments would run afoul of *Marbury*'s teaching that "a fact which has existed cannot be made never to have existed[;] the appointment cannot be annihilated." *Id.* at 167.

The proper judicial remedy in cases that are not yet final is to require that the decision at issue be made by officers who have been constitutionally appointed at the time of the decision.

CONCLUSION

The petition for a writ of certiorari should be granted. Alternatively, the Court should at a minimum grant the petition, vacate the decision of the Federal Circuit, and remand for further consideration in the light of the new legislation. The enactment of new legislation that purports to apply to this case, and appears to have been precipitated by this case, weighs strongly against denying the petition.

Respectfully submitted,

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